

ADAMS COUNTY, WASHINGTON
January 1, 1993 Through December 31, 1993

Schedule Of Federal Findings

1. The County Should Integrate Grant Accounting Into Its General Accounting System

The county has not integrated all of its grant accounting into the county's general accounting system. Most of the grant moneys received by Adams County are expended within the Road Fund. Expenditures for county road construction are currently accounted for using a cost accounting system within the public works department. Accounting within this system identifies expenditures by road project but does not identify the application of grant funds. From the cost accounting system, summary information is transferred to the county's general accounting system. However, due to system incompatibility, complete grant project numbers cannot be transferred.

Since the completion of our audit of 1992, the county has added a grant program field to enable identification of grant expenditures. However, this enhancement was not extended to the public works accounting system and has not been implemented by other county departments administering grant funds.

Thus, the general accounting system is not providing grant program expenditure identification.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C. Section___20,(b)(2) Accounting Records, states in part:

Grantees and Subgrantees must maintain records which adequately identify the source and application of funds provided for financial-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income

OMB Circular A-128, *Audits of State And Local Governments*, paragraph 8..b(1) states in part:

In order to determine which major programs are to be tested for compliance, State and local governments shall identify in their accounts all Federal funds received and expended and the programs under which they were received

Adams County accounts for transactions and prepares its financial statements on the basis of accounting prescribed by Washington State statutes and the *Budgeting, Accounting, and Reporting System* (BARS) manual as prescribed by the State Auditor. According to BARS, Part 3, Chapter 5, Section A:

1. Grant accounting must be integrated with a municipality's general accounting records . . .
2. Grant accounting must provide for a segregation, by program/activity/function within each grant, of the following . . .
 - d. Expenditures already disbursed . . .
 - f. Non-federal share of costs

Because of the lack of an integrated grant accounting system, we could not trace all expenditures reported on the Schedule of Financial Assistance directly to the county's general accounting system, nor were we able to gain sufficient assurance that eligible grant expenditures are not charged to more than one grant. However, all grant revenues are appropriately recorded; thus, we are reasonably certain that the Schedule of Financial Assistance lists all amounts and sources of grants received by the county.

We recommend county officials integrate all grant accounting with its financial accounting system.